

MARCOLIN

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30TH, 2022

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GENERAL INFORMATION

CORPORATE BOARDS AND AUDITORS

Board of Directors ¹

Vittorio Levi	Chairman
Fabrizio Curci	C.E.O. and General Manager
Antonio Abete	Director
Simone Cavaliere	Director
Jacopo Forloni	Director
Cirillo Coffen Marcolin	Director
Emilio Macellari	Director
Frédéric Jaques Mari Stévenin	Director
Raffaele Roberto Vitale	Director
Severine de Wulf	Director

Board of Statutory Auditors ¹

David Reali	Chairman
Mario Cognigni	Standing Auditor
Diego Rivetti	Standing Auditor
Alessandro Maruffi	Alternate Auditor
Stefania Prandelli	Alternate Auditor

Internal Audit Committee ²

Vittorio Levi	Chairman
Jacopo Forloni	Supervisor
Cirillo Coffen Marcolin	Supervisor

Supervisory Body ²

Federico Ormesani	Chairman
David Reali	Supervisor
Gabriele Crisci	Supervisor

Independent Auditors ^{1,3}

PricewaterhouseCoopers S.p.A.

1) Term of office ends on the date of the General Meeting called to approve the annual financial statements for the year ended December 31, 2024 (pursuant to the Shareholders' Resolution of April 28, 2022).

2) Pursuant to the Board of Directors' appointment of April 28, 2022.

3) Term of engagement: 2022 - 2024 (pursuant to the Shareholders' Resolution of April 28, 2022).

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(euro/000)</i>	Notes	09/30/2022	12/31/2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	42,812	43,506
Intangible assets	1	45,230	44,577
Goodwill	1	302,762	287,720
Deferred tax assets	1	60,860	52,223
Other non-current assets	1	1,036	842
Non-current financial assets	1; 6	247	238
Total non-current assets		452,947	429,106
CURRENT ASSETS			
Inventories	2	124,281	103,307
Trade receivables	2	84,435	70,762
Other current assets	2	34,572	30,093
Current financial assets	2; 6	92	899
Cash and cash equivalents	2; 6	225,666	228,848
Total current assets		469,045	433,909
TOTAL ASSETS		921,993	863,015
EQUITY			
	3		
Share capital		35,903	35,903
Additional paid-in capital		170,304	170,304
Legal reserve		7,180	6,437
Other reserves		71,487	47,441
Retained earnings (losses)		(11,265)	(162,394)
Profit (loss) for the period		267	151,873
Group equity		273,877	249,564
Non controlling interests		2,603	1,463
TOTAL EQUITY		276,479	251,025
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	385,323	383,220
Non-current funds	4	7,872	7,107
Deferred tax liabilities	4	7,587	4,728
Other non-current liabilities	4	773	752
Total non-current liabilities		401,555	395,807
CURRENT LIABILITIES			
Trade payables	5	170,964	146,894
Current financial liabilities	5; 6	18,247	22,100
Current funds	5	21,265	18,298
Tax liabilities	5	8,305	6,815
Other current liabilities	5	25,175	22,075
Total current liabilities		243,958	216,182
TOTAL LIABILITIES		645,513	611,989
TOTAL LIABILITIES AND EQUITY		921,993	863,015

CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(euro/000)</i>	Notes	09/30/2022	%	09/30/2021	%
Net Revenues	7	409,745	100.0%	338,593	100.0%
Cost of sales	8	(166,501)	(40.6)%	(145,397)	(42.9)%
GROSS PROFIT		243,244	59.4%	193,196	57.1%
Distribution and marketing expenses	9	(185,533)	(45.3)%	(152,813)	(45.1)%
General and administrative expenses	10	(33,185)	(8.1)%	(26,803)	(7.9)%
Other operating income/(expenses)	11	(2,159)	(0.5)%	718	0.2%
OPERATING INCOME - EBIT		22,367	5.5%	14,298	4.2%
Profit/(loss) from associates	12	-	0.0%	832	0.2%
Financial income	13	12,269	3.0%	10,017	3.0%
Financial costs	13	(30,412)	(7.4)%	(26,308)	(7.8)%
PROFIT (LOSS) BEFORE TAXES		4,223	1.0%	(1,161)	(0.3)%
Income tax expense	14	(2,376)	(0.6)%	(1,110)	(0.3)%
NET PROFIT (LOSS) FOR THE PERIOD		1,847	0.5%	(2,271)	(0.7)%
Profit (loss) attributable to:					
- Owners of the parent		267	0.1%	(2,912)	(0.9)%
- Non-controlling interests		1,579	0.4%	641	0.2%

<i>(euro/000)</i>	09/30/2022	09/30/2021
NET PROFIT (LOSS) FOR THE PERIOD	1,847	(2,271)
<i>Other items that will not subsequently be reclassified to profit or loss:</i>		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes	-	-
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	-	-
<i>Other items that will be subsequently reclassified to profit or loss:</i>		
Change in foreign currency translation reserve	16,252	5,072
Change in exchange rate difference on quasi equity loan	8,037	2,507
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	24,289	7,579
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	26,136	5,308
Risultato complessivo attribuibile:		
- owners of the parent	24,314	4,549
- non-controlling interests	1,822	758

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Additional paid-in capital	Legal Reserve	Other reserves					Profit (loss) for the period	Capital and reserves net total	Non-controlling interests in equity	Total equity
				S.holders deposit in s/capital	Translation reserve	Other	Actuarial gain / (loss) reserve	Retained earnings/ (losses)				
<i>(euro/000)</i>												
December 31, 2020	35,902	170,304	6,437	46,108	(285)	(8,093)	(32)	(75,322)	(56,824)	118,195	1,100	119,295
Allocation of 2020 result	-	-	-	-	-	-	-	(56,824)	56,824	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(714)	(714)
Other movements	-	-	-	-	-	(154)	-	-	-	(154)	-	(154)
- Period result	-	-	-	-	-	-	-	-	(2,912)	(2,912)	641	(2,271)
- Other components of comprehensive income	-	-	-	-	4,954	2,507	-	-	-	7,462	117	7,579
Total comprehensive income	-	-	-	-	4,954	2,507	-	-	(2,912)	4,549	758	5,308
Sept 30, 2021	35,902	170,304	6,437	46,108	4,669	(5,739)	(32)	(132,146)	(2,912)	122,590	1,145	123,735
December 31, 2021	35,902	170,304	6,437	46,108	6,081	(4,684)	(64)	(162,394)	151,873	249,563	1,463	251,025
Allocation of 2021 result	-	-	743	-	-	-	-	151,129	(151,873)	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(682)	(682)
- Period result	-	-	-	-	-	-	-	-	267	267	1,579	1,847
- Other components of comprehensive income	-	-	-	-	16,009	8,037	-	-	-	24,046	243	24,289
Total comprehensive income	-	-	-	-	16,009	8,037	-	-	267	24,313	1,822	26,136
Sept 30, 2022	35,902	170,304	7,180	46,108	22,090	3,353	(64)	(11,265)	267	273,876	2,603	276,479

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(euro/000)</i>	09/30/2022	09/30/2021
OPERATING ACTIVITIES		
<i>Profit (loss) for the period</i>	1,847	(2,271)
Depreciation and amortization	18,887	20,723
Provisions	11,443	6,381
Income tax expense	2,376	1,110
Accrued interest expense	18,144	16,291
Adjustments to other non-cash items	(16)	(850)
<i>Cash generated by operations</i>	52,681	41,383
<i>Cash generated by change in operating working capital</i>	(11,438)	19,591
(Increase) decrease in other assets	(849)	(8,642)
(Decrease)/increase in other liabilities	558	3,825
(Use) of current and non-current provisions	(309)	(749)
(Decrease)/increase in current tax liabilities	(1,074)	3,663
<i>Other elements in working capital</i>	(1,675)	(1,904)
Income taxes paid	(3,033)	(1,197)
Interest received	102	146
Interest paid	(12,126)	(8,358)
<i>Total cash generated by change in other items of net working capital</i>	(16,732)	(11,313)
<i>Net cash from /(used in) net working capital</i>	(28,170)	8,278
Net cash from /(used in) operating activities	24,511	49,661
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(4,254)	(5,701)
Disposal of property, plant and equipment	16	18
(Investments) in intangible assets	(6,234)	(4,126)
Net cash from /(used in) investing activities	(10,472)	(9,809)
FINANCING ACTIVITIES		
<i>Financial Assets</i>		
- (Proceeds)	-	(4,900)
- Repayments	700	703
<i>Financial Loans from banks</i>		
- Proceeds	1,122	351,122
- (Repayments)	(2,028)	(343,864)
Principal elements of lease payments	(3,085)	(3,806)
Other current and non current financial liabilities	(17,344)	(11,927)
Transactions with non-controlling interests	-	(3,634)
Dividends paid to minorities	(682)	(452)
Net cash from /(used in) financing activities	(21,317)	(16,759)
Net increase/(decrease) in cash and cash equivalents	(7,278)	23,094
Effect of foreign exchange rate changes	4,097	502
Cash and cash equivalents at beginning of year	228,848	52,363
Cash and cash equivalents at September 30, 2022	225,666	75,959

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Marcolin, a long-established company based in Longarone (Belluno) in the Italian eyewear district, is a designer, manufacturer and distributor of eyewear products. As a renowned leader in the global eyewear business, Marcolin stands out for its premium quality products, design skills, production capabilities, attention to detail and first-rate distribution.

Thanks to the important acquisition of the Viva Group in 2013 and to the stipulation over the years of new partnership agreements with other international businesses (including with partner LVMH, successfully concluded at the end of 2021), Marcolin Group has become a highly global eyewear business in terms of its brand portfolio, products, geographic presence and markets.

In 2021, Marcolin Group sold some 13 million pairs of glasses throughout the world, realizing sales of euro 455 million and employing some 1,847 individuals, in addition to using a widespread, well-structured network of independent agents.

As part of its ongoing project to develop in new markets, the Group completed the opening of a new subsidiary in Shanghai in July 2021. The Group has been present on the Chinese market for seven years through a joint venture with the Ginko Group, a long-standing player in the local eyewear market, a relationship that concluded at the end of 2020 with the acquisition of the remaining 50% of the company's shares. To further strengthen its commercial presence in China and as part of a broader strategy of corporate consolidation and direct presence in key markets around the world, Marcolin Shanghai will support local partners more closely, responding more effectively and quickly to consumer needs. The new location will lead to an increase in the company's organic growth in the market, while at the same time guaranteeing the production chain and offering products developed specifically for the Chinese market, thanks to in-depth expertise in fitting and design processes and close collaboration with the country's major customers. The new branch is located in the Jing'an District, a modern and upmarket commercial and financial district in the centre of Shanghai.

APAC is a very important region from a commercial point of view for the Group and Management is focusing several projects in order to strengthen the growth in that geographical area.

First nine months of 2022 were overall positive despite the world's economies are facing the highest inflation rates since decades as a consequence of the coronavirus pandemic disrupting global supply chains and Russia invasion of Ukraine driving up energy costs. These unprecedented macroeconomics tensions are also stressing global monetary policy and strategies. In this hard scenario Marcolin Group had a double-digit growth in 3Q22 in terms of sales and a positive marginality trend confirmed by the reached EBITDA level. Gross margin kept improving the solid performance experienced since last year thanks to a positive mix effect in terms of quality of sales (brands and channels) and a continuous production and distribution efficiency, despite increase in global freight-in tariffs and energy fees.

EBITDA margin confirms the solid actions taken by Group management, mainly thanks to Gross Margin positive performance, offsetting an increased level of investments in marketing activities to support the positive momentum on sales. Positive USD FX effects on sales is offset at EBITDA level thanks to a natural hedging structure.

With reference to our licence agreements, 2021 was characterised by the commercial launch of the collections of the Group's new brands whose licence agreements were signed at the end of 2019, shortly before the advent of the Covid-19 pandemic, which slowed down their commercial and promotional activities. 2021 therefore saw the emergence of brands such as Barton Perreira, Sportmax, Max&Co, Max Mara, adidas, Longines, Omega, BMW, BMW M and BMW M Motorsport and GCDS, which are confirming good performances along 2022.

On February 2022, Marcolin also signed a partnership between WEB Eyewear and Alfa Romeo F1 Team ORLEN. The new image of the WEB Eyewear brand will appear on the team's C42 cars, helmets, and suits of the team's drivers Valtteri Bottas and Guanyu Zhou and will be underlined, by the development of a capsule collection featuring a dynamic design and high-end details with sunglasses and optical frames born from a passion for sport and great technological research available in the second half of 2022.

On May 2022, Marcolin and TBL Licensing LLC announced the renewal of their licensing agreement for the design, manufacture and distribution of Timberland sunglasses and prescription frames. The partnership has been extended until 31 December 2026.

Today Marcolin has a strong *portfolio* of licensed brands balanced between the *Luxury* and *Diffusion* segments, in both men's and women's segments, with a good balance between prescription glasses and sunglasses.

The company is positioned in the *Luxury* sector with some of the most *glamorous brands* in the *fashion system*, including Tom Ford, Tod's, Ermenegildo Zegna, Pucci, Moncler, Barton Perreira, Omega, Longines, Bally, Max Mara and Sport Max, and in the *Diffusion* sector with the brands Guess, Guess by Marciano, Candie's, Gant, Harley Davidson, Swarovski, Max&Co, Skechers, BMW, GCDS, Timberland, and Kenneth Cole New York, as well as other brands specifically dedicated to the US market.

The sports segment is represented by adidas Badge of Sport and adidas Originals.

Proprietary brands include WEB Eyewear, Viva and the historic Marcolin.

Geographically, the Group is present in all major countries across the world through direct affiliates, partnership agreements and exclusive distribution agreements with major players of the industry.

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Basis of operation

These interim condensed consolidated financial statements for nine months ended September 30, 2022 have been prepared on a going concern basis following IAS 34 “*Interim Financial Reporting*” which governs interim financial reporting. In fact, the Directors verified the absence of any financial, business or other types of indicators that could signify issues about the Group’s ability to meet its obligations in the foreseeable future, and specifically in the next 12 months.

IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter “IFRS”), given that the entity has prepared its financial statements compliant with IFRS for the previous fiscal year.

The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2021.

The interim condensed consolidated financial statements include the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of change in equity, the condensed consolidated statement of cash flows, and the notes thereto.

Risks associated with the Covid-19 pandemic

Marcolin Group keeps maintaining all measures to ensure the health and safety of its employees as well as to protect its profitability and financial parameters. However, despite the initiatives undertaken, it cannot be excluded that the continuation of the Covid-19 pandemic, also in future years, may have a negative impact on the Group’s results. Management has carefully assessed the impact of this uncertainty on the accounting estimates and therefore also on the recoverability of the company’s main assets, including in the forward-looking scenarios the risk elements related to the potential impacts of the Covid-19 pandemic.

Risks from geopolitical and macroeconomic environment

Marcolin Group has no significant exposure on Russian and Eastern European markets. Overall, the turnover generated in these territories does not exceed 2% of the total consolidated turnover.

Globally, inflation is hitting hard almost in all business sectors, driven by the disruption of supply chains by both the pandemic and Russia’s invasion of Ukraine. As far as Marcolin Group concern, mainly impacts were in freight-in, freight-out and energy costs increase, while no significant impacts on raw materials inflation.

The context of economic instability has furthermore led to a depreciation of euro against the US dollar; historically the transaction expressed in US dollar by the Group are similar in terms of sales and expenses permitting the Group to benefit of a natural hedging of this currency at EBITDA level.

Management keeps monitoring all risks coming from this hard geopolitical and macroeconomic environment in order to mitigate any potential negative impact both in terms of marginality and cash flow side.

Accounting policies

The accounting policies adopted for the preparation of the interim condensed consolidation financial statements for the nine months ended September 30, 2022 are consistent with those used to prepare the annual consolidated financial statements as at December 31, 2021, except taxes on income which, in the interim periods, are accrued using tax rate that would be applicable to expected total annual profit or loss and except as regards the adoption of the new or revised IFRS or IFRIC as set out below.

The Group elected to use the following types of financial statements, which are envisaged by International Accounting Standard (IAS) 1:

- the income statement that classifies costs by their nature. In addition, it was decided to present two distinct documents: the income statement and the statement of comprehensive income;
- the statement of financial position that presents separately current assets, non-current assets, current

- liabilities, non-current liabilities, assets held for sale and liabilities associated with assets held for sale;
- the statement of changes in equity that presents items in individual columns with reconciliation of the opening and closing balances of each item forming equity;
- the cash flow statement using the indirect method, which presents the cash flows by operating, investing and financing activities for the period.

The same financial statement format was used to prepare the annual consolidated financial statements as at December 31, 2021.

Since the figures are reported in thousands of euro, slight differences may emerge due to rounding off.

New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after January 1, 2022

The following new standards and amendments became effective on January 1, 2022:

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020).

New accounting standards and interpretations approved by the European Union and effective for periods after September 30, 2022

The following new standards and amendments will become effective after September 30, 2022:

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)

IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)

New accounting standards and interpretations published by the IASB but not yet approved by the European Union

At the date of preparation of the condensed consolidation interim financial statements, the following new standards and interpretations had been issued by IASB but not yet endorsed by the EU.

Description	Effective date of the standard
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	January 1, 2023
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	January 1, 2024

Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company as of and for the year ended December 31, 2021.

Seasonality of operations

The operations of the Group are affected by seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of the increased consumer demand in the spring and summer months. Accordingly, our net sales recorded in the first half of any given year are generally higher than in the second half, while our operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause our working capital requirements to fluctuate from quarter to quarter, depending on the variability in the volumes and timing of sales and sunglasses.

Financial risk management

In the ordinary courses of the business the Group is exposed to a variety of financial risks including market risks (currency risk and interest risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all the information and notes on financial risk management required in the preparation of the annual consolidated financial statements.

Consolidated companies

The Marcolin Group's interim condensed consolidated financial statements for the nine months ended September 30, 2022 reflect the consolidated companies at that date, i.e. Marcolin S.p.A. (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly.

The list of Marcolin companies is set forth below:

Company	Currency	Share capital	Consolidation method	% ownership	
				Direct	Indirect
Marcolin Asia HK Ltd	HKD	1.539.785	Full consolidation	100,0%	
Marcolin Benelux Sprl	EUR	280.000	Full consolidation	100,0%	
Marcolin do Brasil Ltda	BRL	41.369.129	Full consolidation	100,0%	
Marcolin Deutschland Gmbh	EUR	300.000	Full consolidation	100,0%	
Marcolin France Sas	EUR	1.054.452	Full consolidation	100,0%	
Marcolin GmbH	CHF	200.000	Full consolidation	100,0%	
Marcolin Iberica SA	EUR	487.481	Full consolidation	100,0%	
Marcolin Nordic AB	SEK	50.000	Full consolidation	100,0%	
Marcolin Portugal Lda	EUR	420.000	Full consolidation	100,0%	
Marcolin Technical Services (Shenzhen) Co. Ltd	CNY	1.000.000	Full consolidation	100,0%	
Marcolin UK Ltd	GBP	3.572.718	Full consolidation	100,0%	
Marcolin USA Eyewear Corp.	USD	121.472.262	Full consolidation	100,0%	
Marcolin Singapore Pte Ltd	SGD	100.000	Full consolidation	100,0%	
Marcolin PTY Limited	AUD	50.000	Full consolidation	100,0%	
Marcolin-RUS LLC	RUB	305.520	Full consolidation	100,0%	
Marcolin Middle East FZCO	AED	100.000	Full consolidation	51,0%	
Marcolin México S.A.P.I. de C.V.	MXN	50.000	Full consolidation	51,0%	
Marcolin Eyewear (Shanghai) Co., Ltd.	CNY	26.000.000	Full consolidation	100,0%	
Gin Hong Lin Intenational Co Ltd	HKD	25.433.653	Full consolidation	100,0%	
Shanghai Ginlin Optics Co Ltd	CNY	22.045.100	Full consolidation		100,0%
Viva Eyewear Hong Kong Ltd	HKD	100	Full consolidation		100,0%
Viva Eyewear UK Ltd - in liquidation	GBP	-	Full consolidation		100,0%

No changes in the scope of consolidation since December 31, 2021.

Italian tax consolidation

The Company acts as a consolidated entity in the group taxation regime under Presidential Decree 917, Article 117 *et seq.* of December 22, 1986 (Italian Tax Code or "TUIR"), which allows the determination of one single corporate income tax (IRES) tax base given by the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the ultimate parent company, 3 Cime S.p.A., which acts as the consolidating entity.

Participation in the Italian tax consolidation regime enables each participant (including the Company) to optimize the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group.

Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

Tax consolidation transactions are summarized below:

- in years with taxable income, the subsidiaries pay 3 Cime S.p.A. the additional tax due to the tax authorities.
- in the event of negative taxable income (tax loss), the Company receives from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realized, accounted for on an accrual basis;
- the amount is paid only when 3 Cime S.p.A. actually uses the tax loss brought to the consolidation;
- if 3 Cime S.p.A. and the Company do not renew the tax consolidation option, or if the requirements for continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

Exchange rates

The following table lists the exchange rates used for currency translation (the closing and average exchange rates refer to September 30, 2022 and September 2022, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		09/30/2022	09/30/2021	Change	2022	2021	Change
Dirham Emirati Arabi	AED	3,580	4,252	(15,8)%	3,907	4,393	(11,1)%
Australian Dollar	AUD	1,508	1,610	(6,3)%	1,504	1,577	(4,6)%
Brasilian Real	BRL	5,258	6,263	(16,0)%	5,463	6,376	(14,3)%
Canadian Dollar	CAD	1,340	1,475	(9,1)%	1,364	1,497	(8,9)%
Swiss Franc	CHF	0,956	1,083	(11,7)%	1,012	1,090	(7,2)%
Renminbi	CNY	6,937	7,485	(7,3)%	7,019	7,738	(9,3)%
Danish Krone	DKK	7,437	7,436	0,0%	7,440	7,437	0,0%
English Pound	GBP	0,883	0,861	2,6%	0,847	0,864	(1,9)%
Hong Kong Dollar	HKD	7,652	9,018	(15,2)%	8,333	9,291	(10,3)%
Mexican Pesos	MXN	19,639	23,744	(17,3)%	21,554	24,077	(10,5)%
Norwegian krone	NOK	10,584	10,165	4,1%	10,007	10,228	(2,2)%
Ruble	RUB	51,797	84,339	(38,6)%	75,124	88,533	(15,1)%
Swedish Krone	SEK	10,899	10,168	7,2%	10,527	10,153	3,7%
USA Dollar	USD	0,975	1,158	(15,8)%	1,064	1,196	(11,1)%

ANALYSIS OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Non-current assets

The composition of non-current assets is shown below:

Non-current assets (euro/000)	09/30/2022	12/31/2021	Increase/decrease	
			euro	%
Property, plant and equipment	42,812	43,506	(694)	(1.6)%
Intangible assets	45,230	44,577	652	1.5%
Goodwill	302,762	287,720	15,043	5.2%
Investments in subsidiaries and associates	-	-	-	0.0%
Deferred tax assets	60,860	52,223	8,637	16.5%
Other non-current assets	1,036	842	194	23.1%
Non-current financial assets	247	238	9	3.9%
Total non-current assets	452,947	429,106	23,842	5.6%

The net value of non-current assets increased by 23.842 million from December 31, 2021.

Property, plant and equipment and Intangible assets variations mainly refers to new capitalizations (CRM implementation and new projects on supply chain automation and production efficiency), partially offset by depreciation and amortization for the period.

The net value of the right of use booked in Property, plant and equipment, due to IFRS16 adoption, is euro 13.866 million. The depreciation of right of use recognized as of September 30, 2022 in the income statement is euro 4.434 million.

Goodwill increase by euro 15.043 million is only due to translation effect.

Deferred tax assets increase by euro 8.637 million is mostly due to translation effect.

Based on IAS 36 accounting principle (Impairment of assets), management evaluated Goodwill did not suffer any impairment losses, given no trigger events occurred since December 31, 2021, based on actual available information.

2. Current assets

The composition of current assets is shown below:

Current assets (euro/000)	09/30/2022	12/31/2021	Increase/decrease	
			euro	%
Inventories	124,281	103,307	20,974	20.3%
Trade receivables	84,435	70,762	13,672	19.3%
Other current assets	34,572	30,093	4,478	14.9%
Current financial assets	92	899	(807)	(89.8)%
Cash and bank balances	225,666	228,848	(3,182)	(1.4)%
Total current assets	469,045	433,909	35,136	8.1%

The total value of current assets increased by euro 35.136 million from December 31, 2021, mainly as a result of the combined effect of the changes listed below.

Inventories has increased by euro 20.974 million compared to December 31, 2021. Disciplined inventory management through execution of key projects on supply chain side (new automation system and new sales and demand planning processes). Quality and level of Inventory improved compared to past years.

The increase in Trade receivables compared to December 31, 2021 is largely affected both by a volume and a business seasonality effect. Trade Receivables maintain the lowest DSO index ever experienced thanks to a deep focus on cash collection.

Trade receivables are shown net of the provision for doubtful debts.

Other current assets mainly include VAT credit amount, prepaid expenses and right to receive goods back accounted in accordance with IFRS15.

Finally, the decrease in cash and bank balances has been reported in the Group's Consolidated Statement of Cash Flow.

3. Equity

The Parent Company's share capital is euro 35,902,749.82, fully paid up, divided into 61,458,375 ordinary shares with no indication of nominal value.

As at 30 September 2022, the share capital was 100% owned by the 3 Cime S.p.A. following the purchase and subsequent cancellation on 23 December 2021 of the shares previously held by the shareholder Vicuna Holding S.p.A., as part of the process of divestment from the joint venture with the LVMH Group Thélios S.p.A.

The share premium reserve was euro 170.304 million as at 31 December 2021, and the capital reserve account remained unchanged at euro 46.108 million.

The legal reserve of euro 7.180 million has reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro 22.090 million refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

Other reserves are some euro -7.975 million and include euro 8.032 million foreign exchange difference on some intercompany loans granted by Marcolin S.p.A. to subsidiaries treated in accordance with IAS 21 as a quasi-equity loan.

The Condensed Consolidated Statement of Changes in Equity provides more detailed information.

4. Non-current liabilities

The composition of non-current liabilities is shown below:

Non-current liabilities (euro/000)	09/30/2022	12/31/2021	Increase/decrease	
			euro	%
Non-current financial liabilities	385,323	383,220	2,103	0.5%
Non-current funds	7,872	7,107	765	10.8%
Deferred tax liabilities	7,587	4,728	2,859	60.5%
Other non-current liabilities	773	752	21	2.8%
Total non-current liabilities	401,555	395,807	5,748	1.5%

Non-current financial liabilities mainly include:

- i) the value of the Senior Secured Notes issued on 27 May 2021 for a nominal amount of euro 350 million, at a fixed rate of 6.125% and maturing in November 2026;
- ii) the value of the euro 25 million loan granted by the shareholder 3 Cime S.p.A. in 2020, including accrued interests since the inception date;
- iii) the amount of non-current financial lease liabilities recognized in accordance with IFRS16 for euro 9.506 million.

Deferred tax liabilities increase by euro 2.859 million is mainly due to translation effect.

5. Current liabilities

Current liabilities are set forth below:

Current liabilities (euro/000)	09/30/2022	12/31/2021	Increase/decrease	
			euro	%
Trade payables	170,964	146,894	24,070	16.4%
Current financial liabilities	18,247	22,100	(3,853)	(17.4)%
Current funds	21,265	18,298	2,967	16.2%
Tax liabilities and others	33,481	28,890	4,590	15.9%
Total current liabilities	243,958	216,182	27,775	12.8%

Trade payables as at September 30, 2022 amounted to euro 170.964 million and show an increase of euro 24.070 million compared to December 2021. Such increase is aligned with volume purchases to support current and future expected sales. Trade payables also benefit on DPO side, leveraging renegotiations with most suppliers occurred along 2020 and 2021.

Current financial liabilities primarily relate to bank overdraft and short-term financing. The decrease of euro 3.853 million compared to December 2021 is mainly due to repayment of short-term borrowings and commercial facilities reimbursement. Current financial liabilities mainly include the IFRS16 effect for euro 5.594 million and accrued Bond interests for euro 8.164 million.

Current funds amounted as at September 30, 2022 to euro 21.265 million and show an increase of euro 2.967 million compared to December 2021. In accordance with IFRS 15, the returns provision and product warranty provision are recognised by reference to the future sales and/or qualitative returns expected to be received from customers based on the available contractual information and past statistics.

The increase in Tax liabilities and others are mainly due to interim current tax calculation effect and an increase on employees' liabilities such as vacations and bonuses not yet paid.

6. Net financial position

The net financial debt as at September 30, 2022 is set forth below in comparison with December 31, 2021:

Net financial debt (euro/000)	09/30/2022	12/31/2021	Increase / Decrease	
			euro	%
Cash and cash equivalents	225,666	228,848	(3,182)	(1.4)%
Current and non-current financial assets	339	1,137	(798)	(70.2)%
Current financial liabilities	(18,247)	(21,426)	3,179	(14.8)%
Current portion of non-current financial liabilities	-	(674)	674	(100.0)%
Non-current financial liabilities	(385,323)	(383,220)	(2,103)	1%
Net financial position	(177,565)	(175,335)	(2,230)	1%
Loan from parent company 3 Cime S.p.A.	28,401	27,279	1,122	4.1%
Net financial position Adjusted	(149,165)	(148,056)	(1,108)	0.7%

The reported net financial debt is euro 177.565 million, compared to euro 175.335 million at December 31, 2021. The adjusted net financial debt (excluding 3 Cime S.p.A. shareholder loan) is euro 149.165 million, compared to euro 148.056 million at December 31, 2021.

The main components of the Group's debt are the Senior Secured Notes for a notional amount of euro 350 million, euro 28.4 million (including accrued interests) for the loan granted in June 2020 by the shareholder 3 Cime S.p.A. as part of the activities aimed at providing financial support to the Group to support the critical issues arising from the Covid-19 pandemic, short and medium/long-term loans granted by various financial institutions. In addition, a *Super Senior Revolving Facility* for a maximum amount of euro 46.2 million was available and undrawn as at 30 September 2022.

ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as at September 30, 2022 is summarized below against the results as at September 30, 2021.

The 2022 net sales to date are euro 409.745 million, compared to euro 338.593 million for the nine months of 2021.

The September 2022 Reported Ebitda is euro 42.406 million, compared to 35.863 million for the nine months of 2021.

Consolidated income statement (euro/000)	09/30/2022		09/30/2021	
	euro	% of net revenues	euro	% of net revenues
Net revenues	409,745	100.0%	338,593	100.0%
Gross profit	243,244	59.4%	193,196	57.1%
Ebitda	42,406	10.3%	35,863	10.6%
Operating income - Ebit	22,367	5.5%	14,298	4.2%
Financial income and costs	(18,144)	(4.4)%	(16,291)	(4.8)%
Profit before taxes	4,223	1.0%	(1,161)	(0.3)%
Net profit/(loss) for the period	1,847	0.5%	(2,271)	(0.7)%

Excluding the effects of extraordinary transactions, the September 2022 Adjusted Ebitda is euro 50.496 million (12.3% of net sales), against the September 2021 Adjusted Ebitda of euro 41.984 million (12.4% of net sales).

Economic indicator - Adjusted (euro/000)	06/30/2022		09/30/2021	
	euro	% of net revenues	euro	% of net revenues
Ebitda Adjusted	50,496	12.3%	41,984	12.4%
Ebit Adjusted	30,458	7.4%	20,419	6.0%

7. Net Revenues

The following table sets forth the net revenues by geographical area (destination markets):

Net Revenues by geographical area (euro/000)	09/30/2022		09/30/2021		Increase (decrease)	
	Net Revenues	% on total	Net Revenues	% on total	Euro	%
EMEA	213,823	52.2%	174,996	51.7%	38,827	22.2%
Americas	180,164	44.0%	150,621	44.5%	29,543	19.6%
Asia	15,757	3.8%	12,973	3.8%	2,784	21.5%
Total	409,745	100.0%	338,593	100.0%	71,152	21.0%

In the nine months of 2022 net sales are euro 409.7 million and increase of euro 71.2 million (+21.0%) in comparison to the same period of 2021. At constant exchange rates net sales are euro 385.5 million, with an increase of euro 46.9 million (+13.9%) compared to previous period.

EMEA

EMEA market shows positive results and performances both for luxury brands and for diffusion ones. Compared to the same period of 2021, best performer regions are Spain, Germany and UK. Solid performance also for Key Account Channels and Distributors.

Americas

In the Americas area, net sales show an increase compared to the same period of 2021 at current exchange rates for some 19.6% (at constant exchange rate would be 4.8%). In particular, North America shows good performance for the US Optical channel and US Retail Department Stores. Latin America reached a positive performance with +46.9% increase on Net Sales compared to previous year at current exchange rate (at constant exchange rate would be 29.4%).

Asia

The Asian Far East market shows an increase in net sales of some 21.5% at current exchange rates. The performance is mainly driven by Korea and APAC Distributors, while China and Hong Kong area sales are still impacted by Covid-19 governments restrictions.

8. Cost of sales

The following table shows a detailed breakdown of the cost of sales:

Cost of Sales (euro/000)	09/30/2022	% on net revenues	09/30/2021	% on net revenues
Product cost	150,732	36.8%	130,038	38.4%
Cost of personnel	8,620	2.1%	9,253	2.7%
Amortization, depreciation and writedowns	2,646	0.6%	2,754	0.8%
Other production cost	4,503	1.1%	3,352	1.0%
Total	166,501	40.6%	145,397	42.9%

Cost of sales amounted to euro 166.501 million for the nine months ended September 30, 2022, an increase of euro 21.1 million, or 14.5%, from euro 145.397 million for the nine months ended September 30, 2021.

The cost of sales as a percentage of net revenues is 40.6% for the nine months ended September 30, 2022 compared to 42.9% the nine months ended September 30, 2021.

Gross Margin overall confirm an improved performance compared to 9M21 thanks to a positive mix effect in terms of quality of sales (brands and channels), continuous production and distribution efficiency despite tension on global economic environment side, determining an increase mainly in freight-in tariffs and energy fees.

Other costs mainly refer to other purchasing charges and business consulting services.

9. Distribution and marketing expenses

Below is the detailed breakdown of the distribution and marketing expenses:

Distribution and marketing expenses (euro/000)	09/30/2022	% on net revenues	09/30/2021	% on net revenues
Cost of personnel	43,951	10.7%	39,053	11.5%
Commissions	23,933	5.8%	21,395	6.3%
Amortization	14,176	3.5%	14,590	4.3%
Royalties	47,899	11.7%	40,673	12.0%
Advertising and PR	32,616	8.0%	18,929	5.6%
Other costs	22,958	5.6%	18,174	5.4%
Total	185,533	45.3%	152,813	45.1%

The distribution and marketing expenses amounted to euro 185.533 million for the nine months ended September 30, 2022, an increase of euro 32.7 million or 21.4% from euro 152.813 million for nine months ended September 30, 2021.

Commissions expenses amounted to euro 23.933 million in 2022, an increase of 11.9% from the euro 21.395 million for the nine months ended September 30, 2021.

In 2022 Royalties amounted to euro 47.899 million. In 2022 Royalties as a percentage of net revenues is 11.7% on net revenues compared to 12% during 2021.

Advertising and PR expenses in 2022 amounted to euro 32.616 million, an increase of euro 13.687 million, or 72.3%, from the euro 18.929 million in the same period of 2021. As a percentage of net revenues, Advertising and PR expenses in 2022 is 8%, compared to 5.6% of 2021. The increase is mainly due to investments on marketing side to maintain the positive momentum on sales.

The “other costs” refer mainly to freight-out expenses, business travel, rent and services. In 2022, other costs amounted to euro 22.958 million, an increase of euro 4.784 million, or 26.3%, from the euro 18.174 million in the same period of 2021. As a percentage of net revenues, they are 5.6%, compared to 5.4% for the nine months ended September 30, 2021.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	09/30/2022	% on net revenues	09/30/2021	% on net revenues
Cost of personnel	13,541	3.3%	11,206	3.3%
Writedowns of receivables	1,152	0.3%	843	0.2%
Amortization and writedowns	3,217	0.8%	4,222	1.2%
Other costs	16,427	4.0%	11,375	3.4%
Total	33,185	8.1%	26,803	7.9%

General and administrative expenses amounted to euro 33.185 million for the nine months ended September 30, 2022, compared to euro 26.803 million the nine months ended September 30, 2021. As a percentage of net revenues, in 2022 general and administrative expenses is 8.1%, aligned with 2021 incidence.

11. Other operating income and expenses

The total amount of other operating income and expenses amounted to a net euro 2.159 million cost for the nine months ended September 30, 2022. The amount mainly refers to other rebilling, compensation for damages and other minor non-operating expenses.

12. Share of profits/(losses) of associates

As of September 30, 2022 the amount is zero following the divestment from the Joint Venture Thélios S.p.A. occurred in December 2021. The amount of euro -0.832 million from previous year was referred to the effect of consolidation using the equity method of the associate entity Thélios S.p.A. and its subsidiaries.

13. Financial income and costs

Net Financial Income and expenses amounted to a net euro 18.143 million expenses for the nine months ended September 30, 2022 compared to euro 16.291 million expenses for the nine months ended September 30, 2021. The main components are the financial interest expenses related to the euro 350 million bond for a total amount of euro 16.1 million. Foreign currencies effect, which is also a component of the balance of financial income and expenses, contributed to a net income of euro 2.2 million. The increase of total net financial interest expenses compared to previous year is mainly due to the higher gross financial indebtedness.

14. Income tax expense

The estimated income tax expense amounted to euro -2.376 million for the nine months ended September 30, 2022, compared to the euro -1.110 million the nine months ended September 30, 2021.

Current and deferred income tax are calculated by applying the tax rates on reasonably estimated taxable income, determined in accordance with the tax regulations in force. Income tax expense has been calculated on a prudential basis, considering the tax effect on subsidiaries with taxable net income while not considering the deferred tax asset over some entities with taxable net losses and new startup companies.

OTHER INFORMATIONS

SUBSEQUENT EVENTS

Between September 30, 2022 and the date of approval of the interim condensed consolidated financial statements as of September 30, 2022, no events occurred that could have material effects on the reported financial results in accordance with IAS 10.

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

The information with respect to atypical and unusual transactions, and transactions with related parties, is provided below.

Significant non-recurring events and transactions

In the first nine months of 2022 there were no significant non-recurring events and/or transactions.

Atypical and unusual transactions

In the first nine months of 2022 there were no atypical and/or unusual transactions, including with other Group companies, nor any transactions outside the scope of the ordinary business activity that could have significantly impacted the financial position, financial performances or cash flows of Marcolin S.p.A. and the Group.

Transactions with related parties

In addition to the transactions between the consolidated companies, during the period transactions took place with equity-accounted associates and other related parties. Intercompany and related-party transactions are of a trade nature and are conducted on an arm's length basis.

The transactions and outstanding balances with respect to related parties as at September 30, 2022 are shown below, as required by IAS 24. As previously noted, Marcolin Group figures reflect the participation in the Italian tax consolidation regime with the Parent Company 3Cime SpA.

Company (euro/000)	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Pai Partners Sas	45	-	170	-	Related party
Family Marcolin	309	-	31	0	Related party
3 Cime S.p.A.	1,122	-	28,401	8,317	Consolidating
Total	1,476	-	28,601	8,317	

The same table is set forth as at September 30, 2021:

Company (euro/000)	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Pai Partners Sas	45	-	154	-	Related party
Family Marcolin	497	-	215	-	Related party
3 Cime S.p.A.	1,122	-	26,901	11,022	Consolidating
Thélios Group	4,621	487	1,521	15,330	Associates
Total	6,285	487	28,791	26,352	

Milan, November 3rd, 2022

For the Board of Directors

C.E.O.
Fabrizio Curci

